

Roundtable:

Looking ahead to G20 Brazil 2024: Innovation and venture capital in advancing the G20 agenda

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Introduction

In the rapidly evolving landscape of global economic development, there is a call for reform within Multilateral Development Banks (MDBs). The imperative for this reform, echoed during the New Delhi G20 Leaders Meeting in September 2023, goes beyond a mere increase in available funding. The pressing need is for comprehensive efforts, a paradigm shift for MDBs becoming “bigger, better, and bolder”, to deliver a triple agenda, which requires a need to change both in the work they do, the method they operate, and the way

they collaborate to meet the world’s urgent needs. MDBs can achieve more as a system than they can as the sum of their individual parts. MDBs must evolve fundamentally in their vision, incentive structures, operational approaches, and financial capacities. The goal is clear – to better equip MDBs to maximise their impact on the global stage.

With Brazil stepping into the G20 Presidency this year, the MDB community recognises the necessity for a paradigm shift in its approach. The request for reform extends beyond rhetoric, with a commitment to critical changes aimed at enhancing capital efficiency, operational agility, and collaborative synergies. These reforms are envisaged to occur not only at the organisational level but crucially at the systemic level, fostering collaboration both financially and strategically, particularly at the country level.

The Inter-American Development Bank (IDB) emerges as a pivotal actor uniquely positioned to spearhead the MDB reform process. With its central role in coordinating the upcoming G20 presidency in Brazil and assuming the Presidency of the MDB Heads and RDB Heads, the IDB becomes a natural conduit for the ongoing reform efforts. The significance of this role is heightened as the global community looks to the IDB to lead critical reforms that align with the new Institutional Strategy. This strategy serves as a roadmap focusing on innovative financing, enhanced impact, and the promotion

of regional and global public goods.

In this report, we present key themes emerging from a roundtable that discussed the role of innovation to advance the G20 2024's agenda¹ from the public, private and international organisations' perspective. The discussion aimed to i) raise awareness of the role of innovation in advancing the G20 agenda, ii) articulate a dialogue among private public and international organisations to foster collaboration and promote action to support the G20 agenda, and iii) share best practices and knowledge on successful interventions related to the G20 priorities.

¹[G20 Brazil has put three main agenda priorities for the G20 dialogue in 2024: social inclusion and the fight against hunger, energy transition and sustainable development in its social, economic and environmental aspects, and reform of the global governance institutions.](#)

1. The opportunity for collective action

The roundtable discussion unveiled a unique opportunity for collective action, coinciding with the coordination of heads of MDBs. This alignment provides a window to drive real change and transformation, particularly in the realms of public digital goods, innovation, and financial inclusion.

To meet urgent global needs, critical reforms are identified: enhancing capital efficiency, increasing operational speed and agility, and fostering collaboration both financially and strategically at the country level.

Speakers called for MDBs to evolve in their vision, incentive structures, operational approaches, and financial capacities. The focus is on comprehensive efforts that go beyond mere scaling, emphasising the necessity for impactful changes in their *modus operandi*. MDBs are urged to work collectively as a system, recognising that their combined strength can address global challenges more effectively than individual efforts.

2. G20 Agenda on cross-border payments:

The G20's agenda on improving cross-border payments emerged as a focal point, with the Brazilian presidency expressing commitment to short-term solutions and long-term platforms. Participants discussed how, during its Presidency, Brazil expects to deepen its ongoing agenda around financial innovation and inclusion, known as Agenda BC#, which is led by Brazil's Central Bank.

Over the past few years, Brazil has implemented projects aimed at enacting structural reforms within the financial system. These projects encompass: Pix, an instant payments system; the Open Finance initiative; the modernisation of foreign exchange legislation; and the development of Drex, the Brazilian central bank digital currency.

These initiatives contribute to making the country's financial system more efficient, competitive, modern, and inclusive. They also contribute to democratising financial services through the integration of cutting-edge technology.

In this context, the roundtable recognised the intricacies of cross-border payments as a significant hurdle in the path of global economic cooperation. The G20's commitment to addressing this challenge, both in the short and long term, is a pivotal step.

Potential solutions could be, in the short-term, linking existing fast payment systems across countries. Long-term solutions could involve distributed ledger technology (DLT)-based platforms aimed to facilitate payments by escrowing central bank money and enabling direct exchanges on the platform.

In the latter scenario, the opportunities involve integrating programmability into the platform, allowing the creation of smart contracts to hedge risks and potentially extend to various types of financial contracts. The vision includes compatibility between contracts written on the same platform, leading to efficiency gains in areas like swap agreements.

Moreover, these platforms could be used to trade tokenised financial assets, and radically contribute to lower transaction costs and

ultimately improve financial inclusion, aligning with the G20's roadmap.

Ongoing initiatives in countries like Brazil and Singapore, led by the Brazilian Central Bank² and Monetary Authority of Singapore³ respectively, are considered valuable case studies to advance this agenda.

3. Private sector's crucial role

A key takeaway of the roundtable revolved around the indispensable role of the private sector, especially venture capitalists and startups, in building innovative fintech and digital payment solutions. While the public sector is responsible for proposing policy and enabling infrastructures, as well as eliminating obstacles, the private sector can catalyse myriad fintech innovations to drive inclusion and development, ensuring alignment with policy objectives set by the public sector. This highlights a shift towards collaborative efforts between the public and private sectors, acknowledging the strength of innovation in both realms.

Within the private sector, venture capital in particular plays a crucial role in driving innovation and growth.



There is a correlation between the global evolution of the venture capital industry and advancements in innovation, highlighting its unique position in bridging the gap between academic research and market-viable products.



There is a historical link between venture capital development, disruptive innovation, and problem-solving. In the context of Brazil and Latin America, as well as in Southeast Asia, for example, the transformative impact of venture capital over the past two decades has contributed to shifting the entrepreneurial culture from necessity-driven to an option-driven approach.

This shift is attributed to venture capital providing the necessary support for risk-taking and innovation, enabling entrepreneurs to create the most innovative companies. However, for entrepreneurs to be more impact

driven and address development priorities, the role of other actors such as NGOs and impact investors remains key.

4. Innovation for development goals

The roundtable placed a spotlight on elevating the role of innovation in achieving the core development goals outlined by the G20 agenda. This involves fostering startups and new business models built on well-governed foundations. Innovation, as discussed in the roundtable, is not merely incremental progress but a transformative force driving significant change.

The focus on fostering startups and new business models indicates a departure from traditional approaches.



The emphasis on well-governed foundations underscores the importance of ethical considerations, ensuring that innovation aligns with sustainable and responsible development practices.





An example on how innovation can advance the SDG agenda is exemplified by a private entity known as Gprnt.AI⁴; a digital platform funded by MAS⁵ through a public-private partnership that provides small businesses, individuals, and banks with the capability to disclose their ESG practices. The infrastructure facilitates businesses in seeking loans from banks, enhancing their ability to disclose ESG practices and thereby improving credit facilities for a more sustainable outcome. In this effort, the concept of a Digital Public Infrastructure has been expanded to encompass SDGs, and further extended to small business ecommerce activities as part of a

digital public good initiative.

Another example from the public sector is the National Plan for Ecology Transition, led by the Brazilian Government, which is a comprehensive initiative addressing digital transformation, innovation, and energy transition, with a focus on bioeconomy and sustainable infrastructure. This aligns with broader G20 objectives and SDGs. Critical to this plan is the involvement of private funding for innovation, climate action, and ESG projects.

An innovative step by the national treasury is the introduction of climate-linked treasury bonds, potentially influencing discussions on public debt and climate finance. Moreover, Brazil

is working to establish a clear ESG investment “sustainable taxonomy”⁶, aimed at harmonising domestic standards with international ones. The initiative is currently under public consultation with active participation from the younger generation. This effort strives to create clarity in ESG finance and guide investments towards environmentally sound initiatives.

5. Exploration of blockchain, AI, and climate change

Speakers expressed optimism about the revolutionary potential of blockchain technology, particularly in the context of financial assets. The decentralised and secure nature of blockchain has the potential to reshape financial systems, ensuring transparency and reducing risks.

Additionally, while acknowledging the current hype surrounding AI, participants foresaw exponential impacts in the next ten to twenty years.



As AI matures beyond its current hype phase, it is expected to become a cornerstone of technological advancements in the next decade, influencing diverse sectors, especially through automation.



Addressing climate change is identified as a critical theme within the exploration of transformative technologies. In this context, the intersection of technology, innovation, and climate change becomes crucial. Blockchain and AI are positioned as technologies that can play a pivotal role in addressing environmental challenges. Blockchain’s transparency can enhance accountability in climate-related initiatives, ensuring that commitments translate into tangible actions. AI, with its predictive capabilities, can contribute to climate modeling and support sustainable practices across various industries.

Conclusion

The roundtable provided a strategic platform to anticipate the G20 Brazil 2024 presidency, emphasising the transformative potential of innovation, entrepreneurship, and venture capital. The identified takeaways span the realms of collective action, cross-border payments, private sector collaboration, innovation for development goals, exploration of transformative technologies, and the pivotal role of venture capital. As the global community looks ahead, these insights serve as a set of guiding themes for advancing the G20 agenda, with a specific emphasis on addressing climate change through the intersection of technology, entrepreneurial innovation, and sustainable practices.



